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DORSEY & WHITNEY LLP

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October 23, 2013

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, S.W.
Washington, D.C. 20554

**RE: WC Docket Nos. 10-90 and 11-42
Annual Report Pursuant to 47 C.F.R. §§ 54.313 and 54.422**

Dear Ms. Dortch:

Nushagak Electric and Telephone Cooperative, Inc. ("Nushagak"), by its authorized representative, files its FCC Form 481 - Carrier Annual Reporting Data Collection Form ("Form 481") in compliance with 47 C.F.R. §§ 54.313 and Section 54.422. The Form 481 has been completed, certified, and submitted to the Universal Service Administrative Company.

Pursuant to the Protective Order released November 16, 2012 (FCC Record DA 12-1857), and in accordance with the Commission's confidentiality rules, Nushagak here submits redacted public paper copies of its Form 481 before the Commission. Nushagak also submits, under separate cover, confidential unredacted copies of its Form 481. The financial information in the Form 481 is competitively sensitive and is not normally released to the public.

A copy of Nushagak's Form 481 has also been submitted to the Regulatory Commission of Alaska pursuant to §§ 54.313(i) and 54.422(c). Please contact me if you have any questions.

Regards,

George Foote

Attorney for Nushagak Electric and Telephone
Cooperative, Inc.

Attachment: FCC Form 481 Carrier Annual Reporting Data Collection Form
cc: Nushagak Electric and Telephone Cooperative, Inc.

No. of Copies rec'd
List ABCDE

0+1

FCC Form 481 - Carrier Annual Reporting Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	613018
<015> Study Area Name	NUSHAGAK ELEC & TEL.
<020> Program Year	2014
<030> Contact Name: Person USAC should contact with questions about this data	Michael Megli
<035> Contact Telephone Number: Number of the person identified in data line <030>	907-842-5251
<039> Contact Email Address: Email of the person identified in data line <030>	mmegli@nushagak.coop

ANNUAL REPORTING FOR ALL CARRIERS	54,313 Completion Required	54,422 Completion Required
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			(check box when complete)
<100> Service Quality Improvement Reporting	(complete attached worksheet)		<input checked="" type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)		<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <--- check box if no outages to report			
<300> Unfulfilled Service Requests (voice)	0		<input checked="" type="checkbox"/>
<310> Detail on Attempts (voice)	(attach descriptive document)		
<320> Unfulfilled Service Requests (broadband)			
<330> Detail on Attempts (broadband)	(attach descriptive document)		
<400> Number of Complaints per 1,000 customers (voice)			<input checked="" type="checkbox"/>
<410> Fixed	0.0		
<420> Mobile	0.0		
<430> Number of Complaints per 1,000 customers (broadband)			
<440> Fixed			
<450> Mobile			
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)		<input checked="" type="checkbox"/>
<510> 613018AK510	(attach descriptive document)		<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)		<input checked="" type="checkbox"/>
<610> 613018AK610	(attach descriptive document)		<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)		
<710> Company Price Offerings (broadband)	(complete attached worksheet)		
<800> Operating Companies and Affiliates	(complete attached worksheet)		<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if yes, complete attached worksheet)		<input checked="" type="checkbox"/>
<1000> Voice Services Rate Comparability	(check to indicate certification)		
<1010>	(attach descriptive document)		
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)		<input checked="" type="checkbox"/>
<1110>	(complete attached worksheet)		
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)		<input checked="" type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet
 Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)		
<2005>	(complete attached worksheet)		

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

<3000>	(check to indicate certification)		
<3005>	(complete attached worksheet)		

(100) Service Quality Improvement Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
<010>	Study Area Code	613018
<015>	Study Area Name	BUSHOGAN RIVER & TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Michael Mouli
<035>	Contact Telephone Number - Number of person identified in data line <030>	907-842-3251
<039>	Contact Email Address - Email Address of person identified in data line <030>	mmouli@bushogan.com
<110>	Has your company received its ETC certification from the FCC?	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
<111>	If your answer to Line <110> is yes, do you have an existing § 54.202(a) "5 year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input type="radio"/>
If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.		
<112>	Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.	
Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.		
<113>	Maps detailing progress towards meeting plan targets	<input type="checkbox"/>
<114>	Report how much universal service (USF) support was received	<input type="checkbox"/>
<115>	How (USF) was used to improve service quality	<input type="checkbox"/>
<116>	How (USF) was used to improve service coverage	<input type="checkbox"/>
<117>	How (USF) was used to improve service capacity	<input type="checkbox"/>
<118>	Provide an explanation of network improvement targets not met in the prior calendar year.	<input type="checkbox"/>

(200) Service Outage Reporting (Voice) Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	013018
<015>	Study Area Name	KUSHAGAK K&B & TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Michael Hegli
<035>	Contact Telephone Number - Number of person identified in data line <030>	907-842-0211
<039>	Contact Email Address - Email Address of person identified in data line <030>	mehgli@kushagak.coop

[illegible]

(700) Price Offerings including Voice Rate Data Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
<010> Study Area Code	613018	
<015> Study Area Name	NOVAHQA ELEC & TEL	
<020> Program Year	2014	
<030> Contact Name - Person USAC should contact regarding this data	Michael Megl	
<035> Contact Telephone Number - Number of person identified in data line <030>	907-842-5251	
<039> Contact Email Address - Email Address of person identified in data line <030>	mmegl1@nashaga2.com	

<701>	Residential Local Service Charge Effective Date	1/1/2013
<702>	Single State-wide Residential Local Service Charge	

[illegible]

(710) Broadband Price Offerings Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	G13018
<015>	Study Area Name	DUSHAGAK ELEC 6 TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Kichaei Hegli
<035>	Contact Telephone Number - Number of person identified in data line <030>	967-842-5751
<039>	Contact Email Address - Email Address of person identified in data line <030>	mhgli19@dushagak.ak.gov

[illegible]

(800) Operating Companies
Data Collection Form
FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	613618
<015>	Study Area Name	NUSKAGAK ELECTRIC & TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Michael Megill
<035>	Contact Telephone Number - Number of person identified in data line <030>	907-847-5251
<039>	Contact Email Address - Email Address of person identified in data line <030>	mmegill@nuskagak.com
<810>	Reporting Carrier	Nuskagak Electric & Telephone Cooperative, Inc.
<811>	Holding Company	NA
<812>	Operating Company	NA

[illegible]

(900) Tribal Lands Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	613018
<015>	Study Area Name	NEKSHAGAK ELAC & TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Michael Neall
<035>	Contact Telephone Number - Number of person identified in data line <030>	907-842-9291
<039>	Contact Email Address - Email Address of person identified in data line <030>	mneall@nekshagak.coop

<910> Tribal Land(s) on which ETC Serves Dillingham, Aleknagik, Hanakotak, Ekuk, Clarke Point, and Portage Creek

<920> Tribal Government Engagement Obligation

613018AK920

Name of Attached Document (.pdf)

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions;
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select (Yes, No, NA)
Yes
NA
NA
Yes
Yes
NA
NA
NA
NA

(1100) No Terrestrial Backhaul Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	613018
<015>	Study Area Name	NUSHAGAK ELEC & TEL
<020>	Program Year	2012
<030>	Contact Name - Person USAC should contact regarding this data	Michael Begli
<035>	Contact Telephone Number - Number of person identified in data line <030>	907-842-5251
<039>	Contact Email Address - Email Address of person identified in data line <030>	mbepli@nushagak.coop

Please check this box to confirm no terrestrial backhaul
<1120> options exist within the supported area pursuant to § 54.313(G) ☐

Please check this box to confirm the reporting carrier offers
<1130> broadband service of at least 1 Mbps downstream and 256 kbps
upstream within the supported area pursuant to § 54.313(G) ☐

(1200) Terms and Condition for Lifeline Customers		FCC Form 481
Lifeline		OMB Control No. 3060-0986/OMB Control No. 3060-0819
Data Collection Form		July 2013

<010>	Study Area Code	613018
<015>	Study Area Name	BUSHAGAK ELEC & TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Michael Mepl
<035>	Contact Telephone Number - Number of person identified in data line <030>	907-842-5291
<039>	Contact Email Address - Email Address of person identified in data line <030>	meopl1@bushagak.coop

<1210>	Terms & Conditions of Voice Telephony Lifeline Plans	613018AK1210
		Name of attached document (.pdf)

<1220>	Link to Public Website	HTTP: www.mnkte1.com
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"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☒
- <1222> Details on the number of minutes provided as part of the plan, ☒
- <1223> Additional charges for toll calls, and rates for each such plan. ☒

(2000) Price Cap Carrier Additional Documentation Data Collection Form <i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>	FCC Form 481 OMB Control No. 3060-0086/OMB Control No. 3060-0619 July 2013
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<010>	Study Area Code	613018
<015>	Study Area Name	BUSHNAGK NAT'L TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Michael Mogli
<035>	Contact Telephone Number - Number of person identified in data line <030>	907-942-5251
<039>	Contact Email Address - Email Address of person identified in data line <030>	mogli@bushnagk.com

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting		
<2010>	2nd Year Certification (47 CFR § 54.313(b)(1))	<input type="checkbox"/>
<2011>	3rd Year Certification (47 CFR § 54.313(b)(2))	<input type="checkbox"/>
Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))		
<2012>	2013 Frozen Support Certification	<input type="checkbox"/>
<2013>	2014 Frozen Support Certification	<input type="checkbox"/>
<2014>	2015 Frozen Support Certification	<input type="checkbox"/>
<2015>	2016 and future Frozen Support Certification	<input type="checkbox"/>
Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))		
<2016>	Certification Support Used to Build Broadband	<input type="checkbox"/>
Connect America Phase II Reporting (47 CFR § 54.313(e))		
<2017>	3rd year Broadband Service Certification	<input type="checkbox"/>
<2018>	5th year Broadband Service Certification	<input type="checkbox"/>
<2019>	Interim Progress Certification	<input type="checkbox"/>
<2020>	Please check the box to confirm that the attached PDF, on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	<input type="checkbox"/>
<2021>	Interim Progress Community Anchor Institutions	Name of Attached Document Listing Required Information

<div> <div> (3000) Rate Of Return Carrier Additional Documentation </div> <div> FCC Form 481 </div> </div>		OMB Control No. 3050-0086/OMB Control No. 3050-0081
Data Collection Form		July 2013
<010>	Study Area Code	613018
<015>	Study Area Name	MUSHAMBA, R.R.C. & TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Michael Scott
<035>	Contact Telephone Number - Number of person identified in data line <030>	007-842-5251
<039>	Contact Email Address - Email address of person identified in data line <030>	mcs@tshamamba.com
<p>CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.</p>		
<p>Progress Report on 5 Year Plan</p>		
(3010)	Milestone Certification (47 CFR § 54.313(f)(1)(i)) Please check this box to confirm that the attached PDF, on line 3012, contains the required information pursuant to § 54.313(f)(1)(i), as a recipient of CM Flare II support shall provide the number, name, and address of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	<div> <div>Name of Attached Document Listing Required Information</div> <div> <input type="checkbox"/> </div> </div>
(3011)	Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii)) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2)) If yes, does your company file the RUS annual report Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires: Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)	<div> <div>Name of Attached Document Listing Required Information</div> <div> <input checked="" type="checkbox"/> (Yes/No) <input type="checkbox"/> (Yes/No) </div> </div>
(3012)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows	<div> <div>Name of Attached Document Listing Required Information</div> <div> <input type="checkbox"/> </div> </div>
(3013)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	<div> <div>Name of Attached Document Listing Required Information</div> <div> <input type="checkbox"/> </div> </div>
(3016)	If the response is no on line 3014, is your company audited? If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains: Either a copy of their audited financial statement, or (1) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers, PDF of Balance Sheet, Income Statement and Statement of Cash Flows	<div> <div>Name of Attached Document Listing Required Information</div> <div> <input checked="" type="checkbox"/> (Yes/No) </div> </div>
(3019)	Management letter issued by the independent certified public accountant that performed the company's financial audit.	<div> <div>Name of Attached Document Listing Required Information</div> <div> <input checked="" type="checkbox"/> </div> </div>
(3020)	If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains: Copy of their financial statement which has been subject to review by an independent certified public accountant; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers.	<div> <div>Name of Attached Document Listing Required Information</div> <div> <input checked="" type="checkbox"/> </div> </div>
(3021)	Underlying information subjected to a review by an independent certified public accountant	<div> <div>Name of Attached Document Listing Required Information</div> <div> <input checked="" type="checkbox"/> </div> </div>
(3022)	Underlying information subjected to an officer certification.	<div> <div>Name of Attached Document Listing Required Information</div> <div> <input type="checkbox"/> </div> </div>
(3023)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows	<div> <div>Name of Attached Document Listing Required Information</div> <div> <input type="checkbox"/> </div> </div>
(3025)	Attach the worksheet listing required information	<div> <div>Name of Attached Document Listing Required Information</div> <div> <input type="checkbox"/> </div> </div>

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	613018
<015>	Study Area Name	NUSHAGAK ELEC & TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Michael Megli
<035>	Contact Telephone Number - Number of person identified in data line <030>	907-642-5251
<039>	Contact Email Address - Email Address of person identified in data line <030>	mmegli@nushagak.coop

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: NUSHAGAK ELEC & TEL	
Signature of Authorized Officer: CERTIFIED ONLINE	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier: 613018	Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	



FORM 481

Welcome to Carrier Annual Reporting System[Preview PDF](#)

- Carrier Annual Reporting Data Collection Form
- (100) Service Quality Improvement Reporting
- (200) Service Outage Reporting (voice)
- (700) Voice Pricing Form
- (710) Broadband Price Offerings
- (800) Operating Companies
- (900) Tribal Lands Reporting
- (1100) No Terrestrial Backhaul
- (1200) Lifeline Terms and Conditions
- (2005) Price Cap Data
- (3005) Rate of Return Data
- Validate Filing

VALIDATE FILING

Please click the "Validate" button to determine whether or not this filing is eligible to be certified.

No errors detected in this filing. Your filing is eligible to be certified. An officer of the carrier's company must log in to CARS to complete the certify process.

[Previous](#) [Next](#) [Validate](#) [Exit](#)



EFILE

CONFIRMATION

Congratulations. Your filing has been successfully certified.

Filing 1 was successfully certified on 2013-10-14 15:22:02.0 by mmegli@nushagak.coop .

SAC : 613018

SPIN : 143002700

Carrier Name : NUSHAGAK ELEC & TEL

Program Year : 2014

[Return to 481 Search](#)



E-FILE

FORM 481

Welcome to Carrier Annual Reporting System

- Carrier Annual Reporting Data Collection Form
- (100) Service Quality Improvement Reporting
- (200) Service Outage Reporting (voice)
- (700) Voice Pricing Form
- (710) Broadband Price Offerings
- (800) Operating Companies
- (900) Tribal Lands Reporting
- (1100) No Terrestrial Backhaul
- (1200) Lifeline Terms and Conditions
- (2005) Price Cap Data
- (3005) Rate of Return Data
- Accuracy Certification
- Validate Filing
- Certify Filing

[Preview PDF](#)

ACCURACY CERTIFICATION

This page required for 54.313 and 54.422 filings.

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients

I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.

Name of Reporting Carrier: NUSHAGAK ELEC & TEL

Signature of Authorized Officer: CERTIFIED ONLINE

Printed Name of Authorized Officer: Michael Megli

Title or Position of Authorized Officer: CEO/GM

Telephone Number of Authorized Officer: 907-842-5251

Study Area Code of Reporting Carrier: 613018

Date: _____

Filing Due Date for this Form: 10/15/2013

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier

I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate

Name of Authorized Agent: _____

Name of Reporting Carrier: _____

Signature of Authorized Officer: _____

Printed Name of Authorized Officer: _____

Title or Position of Authorized Officer: _____

Date: _____

Certification - Agent / Carrier Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
<010> Study Area Code	613018	
<015> Study Area Name	NUSHAGAK ELEC & TEL	
<020> Program Year	2014	
<030> Contact Name - Person USAC should contact regarding this data	Michael Megli	
<035> Contact Telephone Number - Number of person identified in data line <030>	907-842-5251	
<039> Contact Email Address - Email Address of person identified in data line <030>	mmegli@nushagak.coop	

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	
Name of Reporting Carrier: NUSHAGAK ELEC & TEL	
Signature of Authorized Officer: CERTIFIED ONLINE	Date:
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier: 613018	Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: NUSHAGAK ELEC & TEL	
Name of Authorized Agent or Employee of Agent:	
Signature of Authorized Agent or Employee of Agent: CERTIFIED ONLINE	Date:
Printed name of Authorized Agent or Employee of Agent:	
Title or position of Authorized Agent or Employee of Agent:	
Telephone number of Authorized Agent or Employee of Agent:	
Study Area Code of Reporting Carrier: 613018	Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

Consumer Protection

Nushagak Electric & Telephone Cooperative, Inc. complies with the requirements of 47 CFR Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft. A manual for each of those programs is in place and is part of the employees' handbook. Employee training is conducted annually and new hires are instructed on the programs as required by their job functions.

Service Quality Standards

Nushagak Electric & Telephone Cooperative, Inc. complies with the service standards of the Regulatory Commission of Alaska as promulgated in the RCA Statutes 3 AAC 53.450(a) and (c) Eligible Telecommunications Carrier Designation Consumer protection and service quality.

Nushagak Electric & Telephone Cooperative, Inc.
2013 Annual 54.313 Report of High-Cost Recipient

54.313(a)(6) Ability to Remain Functional in Emergency Situations

Back-up Power

Telco Name has the following back-up power capabilities:

Switches – stand alone and/or host

1. Dillingham area - Metaswitch. Gel Cell battery backup, 2,090 Ah. Estimate run time of 12 hours
2. Clarks point area – Redcom Switch. Sealed Lead acid battery, 600 Ah with Solar panels. Estimated run time of 24 hours.
3. Manokotak area – Redcom Switch. Located in AT&T earth station facility, Lead acid battery-Estimated run time 8 hours

Subscriber carrier (DLC, AFC, OPM, etc.)

1. Dillingham area Kananak. Sealed Lead acid battery, 600 Ah. 30 hour estimated run time.
2. Dillingham area Lupin Dr. Sealed Lead acid battery, 600 Ah. 30 hour estimated run time.
3. Dillingham area, Wasky Rd. Sealed Lead acid battery, 600 Ah. 30 hour estimated run time.
4. Dillingham area, 9 mile lake road, Sealed Lead acid battery, 600 Ah. 30 hour estimated run time.
5. Dillingham area, ravens view, Sealed Lead acid battery, 600 Ah. 30 hour estimated run time.
6. Dillingham area, Aleknagik south shore, Sealed Lead acid battery, 600 Ah. 30 hour estimated run time.
7. Dillingham area, Aleknagik north shore, Sealed Lead acid battery, 600 Ah. 30 hour estimated run time.
8. Manokotak area, Manokotak heights, Sealed Lead acid battery, 600 Ah. 30 hour estimated run time.

Network Interface Devices (NIDs)

Nushagak Electric & Telephone Cooperative, Inc. has 1817 customers with metallic (copper) connections to the Central Office and their NIDs are powered from the Central Office.

Nushagak Electric & Telephone Cooperative, Inc. has 3 customers with non-metallic (fiber optic) connections to the Central Office. These Facilities are equipped with 100% backup diesel generation systems.

Ability to reroute traffic around damaged facilities:

Nushagak Electric & Telephone Cooperative Inc. has built redundant facilities between its exchanges and / or to its connecting company / toll tandem. This redundant facility is in the form of a SONET ring (or other technology) with alternate physical facilities between **Nushagak Electric & Telephone Cooperative Inc.**, AT&T, and GCI, its interconnection to the Public Switched Telephone Network.

Capability to manage traffic spikes resulting from emergency situations

Nushagak Electric & Telephone Cooperative, Inc. has 1817 customers, switching capacity of 250,000 simultaneous calls, and transport capacity for 2,016 simultaneous calls. **Nushagak Electric & Telephone Cooperative, Inc.** takes no responsibility for the capabilities of interconnected networks to manage traffic spikes resulting from emergency situations, but will continue its best efforts for its networks during such events.

November 9, 2012

Tribal Entity

Nushagak Electric and Telephone Inc. request to Tribal Entities concerning fund pooling mechanisms for communications services.

Dear Mr. Tribal Entity:

Nushagak Electric and Telephone Cooperative Inc. (NETC) would like to meet with your organization discuss planning options for fulfilling tribal needs in your areas.

NETC would like to meet with you during the last week of November and the first week of December if possible.

If you do not have facilities available in this time period NETC will provide a place to meet.

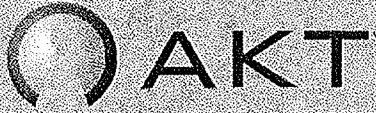
If you have any further questions or require additional information please do not hesitate to contact NETC. I can be contacted at 842-6316 or via email at mmegli@nushagak.coop. Additionally, Michael Favors can be contacted at 842-6367 or via email at mfavors@nushagak.coop.

Sincerely,

Mike Megli
CEO/GM

54.313 Lifeline customers MOU and additional toll charges

Lifeline subscribers receive the same residential service as a regular subscriber, but at a reduced monthly recurring rate. Thus, lifeline subscribers have an unlimited number of local calling minutes. As for toll, lifeline subscribers, similar to every Nushagak Electric & Telephone Cooperative, Inc. subscriber, are free to choose their own toll usage plans through IXC's that serve Nushagak Electric & Telephone Cooperative, Inc.



CPAS AND BUSINESS CONSULTANTS

REDACTED - FOR PUBLIC INSPECT

EXECUTIVE SUMMARY

To assist you in your responsibilities as a member of the Board of Directors, this section summarizes the most significant conclusions reached and issues addressed during our audit of Nushagak Electric and Telephone Cooperative, Inc. for the year ended December 31, 2012.

SIGNIFICANT CONCLUSIONS AND ISSUES

We have completed our audit and issued our report dated April 4, 2013. Based on our work performed:

- We rendered an unmodified opinion on the December 31, 2012 financial statements.
- We have not identified any conditions which we consider to be material weaknesses as defined by generally accepted auditing standards. We did, however, identify a deficiency in internal control over financial reporting that we consider to be a significant deficiency.
- We have not identified any instances which we consider to be material instances of noncompliance with certain provisions of laws, regulations, and contracts.
- We identified instances of noncompliance with reporting requirements of grant agreements during our examination of expenditures of state financial assistance in accordance with the State of Alaska Audit Guide and Compliance Supplement for State Single Audits.
- We received the full cooperation of management and staff throughout the organization and were kept informed as to developments and plans affecting our audit scope.
- No restrictions were placed on the scope of our work.

The following reports include the audited consolidated financial statements and related notes with letters required by RUS and for the Alaska State Single Audit. Also included are communications for the benefit of those charged with governance, as required by professional standards.

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AKT LLP

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Financial Statements
with Supplemental Information and Required Reports

Years Ended December 31, 2012 and 2011



NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.
Financial Statements with Supplemental Information and RUS Letters
Years Ended December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nushagak Electric and Telephone Cooperative, Inc.
Dillingham, Alaska

We have audited the accompanying balance sheets of Nushagak Electric and Telephone Cooperative, Inc. (the Cooperative) as of December 31, 2012 and 2011, and the related statements of operations and patronage capital, and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nushagak Electric & Telephone Cooperative, Inc. at December 31, 2012 and 2011, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 4, 2013, on our consideration of Nushagak Electric & Telephone Cooperative, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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AKT LLP

Other Reporting Required by *Government Auditing Standards*, continued

Our audit was conducted for the purpose of forming opinions on the financial statements of the Cooperative. The accompanying Schedule of State Financial Assistance is presented for the purposes of additional analysis and is not a required part of the financial statements. The Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating and divisional statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

AKT LLP

Salem, Oregon
April 4, 2013

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.**Statements of Operations and Patronage Capital**

Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenues:		
Electric	\$ [REDACTED]	[REDACTED]
Local network service	[REDACTED]	[REDACTED]
Network access services	[REDACTED]	[REDACTED]
Cable, net of retransmission fees of \$228,120 (\$224,981 in 2011)	[REDACTED]	[REDACTED]
Internet	[REDACTED]	[REDACTED]
Miscellaneous	[REDACTED]	[REDACTED]
Total Operating Revenues	[REDACTED]	[REDACTED]
Operating Expenses:		
Power production	[REDACTED]	[REDACTED]
Distribution	[REDACTED]	[REDACTED]
Plant specific	[REDACTED]	[REDACTED]
Plant non-specific	[REDACTED]	[REDACTED]
Depreciation	[REDACTED]	[REDACTED]
Customer	[REDACTED]	[REDACTED]
Administrative and general	[REDACTED]	[REDACTED]
Cable and internet	[REDACTED]	[REDACTED]
Operating taxes	[REDACTED]	[REDACTED]
Total Operating Expenses	[REDACTED]	[REDACTED]
Operating Margin	[REDACTED]	[REDACTED]
Other Income (Expense):		
Patronage allocations	[REDACTED]	[REDACTED]
Interest and dividend income	[REDACTED]	[REDACTED]
Interest expense	[REDACTED]	[REDACTED]
Non-regulated net income	[REDACTED]	[REDACTED]
Net Other Income (Expense)	[REDACTED]	[REDACTED]
Net Margin	[REDACTED]	[REDACTED]
Beginning Patronage Capital	[REDACTED]	[REDACTED]
Patronage Capital Retired	[REDACTED]	[REDACTED]
Other Adjustments	[REDACTED]	[REDACTED]
Ending Patronage Capital	\$ [REDACTED]	[REDACTED]

See accompanying notes to financial statements.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities:		
Net margin	\$ [REDACTED]	[REDACTED]
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation	[REDACTED]	[REDACTED]
Noncash patronage allocations	[REDACTED]	[REDACTED]
Changes in assets and liabilities:		
Accounts receivable	[REDACTED]	[REDACTED]
Materials and supplies inventory	[REDACTED]	[REDACTED]
Fuel inventory	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]
Deferred charges	[REDACTED]	[REDACTED]
Accounts payable	[REDACTED]	[REDACTED]
Consumer deposits	[REDACTED]	[REDACTED]
Other accrued liabilities	[REDACTED]	[REDACTED]
Net Cash Provided by Operating Activities	[REDACTED]	[REDACTED]
Cash Flows from Investing Activities:		
Purchases of plant	[REDACTED]	[REDACTED]
Proceeds from grant reimbursements	[REDACTED]	[REDACTED]
Proceeds from sale of assets	[REDACTED]	[REDACTED]
Patronage dividends received	[REDACTED]	[REDACTED]
Net Cash Used by Investing Activities	[REDACTED]	[REDACTED]
Cash Flows from Financing Activities:		
Net borrowings (payments) on line of credit	[REDACTED]	[REDACTED]
Payments on long-term debt	[REDACTED]	[REDACTED]
Capital credit payments, net	[REDACTED]	[REDACTED]
Refunds of federal communications excise tax	[REDACTED]	[REDACTED]
Net Cash Used by Financing Activities	[REDACTED]	[REDACTED]
Net Increase (Decrease) in Cash and Cash Equivalents	[REDACTED]	[REDACTED]
Cash and Cash Equivalents, beginning	[REDACTED]	[REDACTED]
Cash and Cash Equivalents, ending	\$ [REDACTED]	[REDACTED]
Cash Paid During the Year for Interest, net of amounts capitalized	\$ [REDACTED]	[REDACTED]

See accompanying notes to financial statements.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies

Organization

Nushagak Electric and Telephone Cooperative, Inc. (the Cooperative) was created effective January 1, 2002 with the merger of Nushagak Electric Cooperative, Inc. and Nushagak Telephone Cooperative, Inc. The Cooperative is an Alaska cooperative corporation providing electric, telecommunications, cable television and internet services within and around the Dillingham, Alaska area.

Interdivisional Transactions

The operations of the Cooperative are segregated into the electric division, the telephone division, and the cable division, for management and external reporting purposes. Each division has transactions with the other divisions in the normal course of conducting business. For example, the electric division pays the telephone division for telephone service. Because these amounts are not considered material to the financial statements, there have been no eliminations for interdivisional revenues and expenses except for interest on interdivision loans.

Use of Estimates

The Cooperative uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Regulation

The electric division of the Cooperative maintains its accounting records in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission as modified for electric borrowers of the Rural Utilities Service (RUS). The telephone division of the Cooperative maintains its accounting records in accordance with the Uniform System of Accounts, as prescribed by the Federal Communications Commission (FCC). As a result, the application of accounting principles generally accepted in the United States by the Cooperative differs in certain respects from the application by non-regulated entities. Such differences primarily concern the time at which certain items enter in the determination of net margin.

The telephone division of the Cooperative is subject to limited regulation by the FCC and the Regulatory Commission of Alaska (RCA) regarding the provision of telecommunication services. The local exchange operations are exempt from rate regulation by the RCA.

The electric division of the Cooperative must comply with applicable regulatory standards related to generation and transmission.

The Cooperative is subject to normal environmental standards imposed by federal, state, and local environmental laws and regulations. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Liabilities for such expenditures are recorded when it is probable that obligations have been incurred and the cost can be reasonably estimated.

Regulatory and legislative actions, as well as future regulations, could have a significant impact on the Company's future operations and financial condition. See Note 1, National Broadband Plan and FCC Order.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.**Notes to Financial Statements**Years Ended December 31, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies, continuedCash and Cash Equivalents

For purposes of the statement of cash flows, the Cooperative considers all cash and short-term investments that are readily convertible to known amounts of cash and that present an insignificant risk of change in value due to changes in interest rates or other factors to be cash equivalents. The Cooperative maintains its cash either in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor or in certain non-interest bearing accounts that are fully insured by the FDIC.

Cash at December 31, 2011 included \$[REDACTED] in a sweep account, which was not federally insured. The balance in the sweep account is invested in government-backed securities at the end of each business day. No cash was included in a sweep account at December 31, 2012.

Subsequent to year end the temporary liquidity guarantee program, which fully insured non-interest bearing accounts, expired. Therefore at January 1, 2013, the Cooperative had uninsured cash of \$[REDACTED]

The Cooperative has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

The Cooperative provides an allowance for doubtful accounts that is based on a review of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 30 days after the issuance of the invoice. Receivables from other exchange carriers are typically outstanding from 30 to 60 days before payment is received. Delinquent accounts are charged to uncollectible expense when it is determined that the account will not be collected. Receivables past due more than 90 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Investments in Associated Organizations

Investments in associated organizations are stated at cost.

Fair Value of Financial Instruments

The Cooperative's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, accounts receivable, accounts payable, and notes payable. The Cooperative estimates that the fair value of all of these non-derivative financial instruments at December 31, 2012 and 2011 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheets.

Fuel, Materials and Supplies Inventory

For the electric division, inventory of fuel, antifreeze, lube oil, and materials are recorded at the lower of weighted average cost or market. For the telephone division, materials and supplies are stated at average cost.

Property, Plant and Equipment

Property, plant, and equipment in service and under construction are stated at cost, including appropriate direct and indirect costs associated with construction. Normal maintenance and repairs are charged to operations when incurred. Renewals and betterments are capitalized. For regulated and non-regulated assets, the Cooperative provides for depreciation on a straight-line basis over the estimated useful lives of the related assets, in accordance with rates consistent with industry standards, which range from 5 to 75 years. In accordance with composite group depreciation methodology, when a portion of the Cooperative's regulated property, plant, and equipment is retired in the ordinary course of business, the gross book value is eliminated from the utility plant accounts and such costs, plus removal expenses, less salvage, are charged to accumulated depreciation and no gain or loss is recognized.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.**Notes to Financial Statements**Years Ended December 31, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies, continuedProperty, Plant and Equipment, continued

Upon retirement, sale, or other disposition of non-regulated property, plant, and equipment, the cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are included in operations.

Extraordinary maintenance costs incurred by the electric division of the Cooperative are initially deferred and subsequently amortized to operating expenses over periods generally ranging from 18 to 60 months. Utility rates are stabilized at levels intended to fund these maintenance costs as they are amortized.

Contributions in aid of construction for the electric division are credited to the associated cost of construction of property units.

The Cooperative follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. The Cooperative uses a weighted-average interest rate based on total long-term debt. In 2012, total interest incurred was \$ [REDACTED] (\$ [REDACTED] in 2011). No interest was capitalized in 2012 or 2011.

Revenue Recognition

The Cooperative's billing for the usage of electricity reflects metered usage through approximately the fifteenth day of the month. The Cooperative estimates and records the revenue earned for the usage from the last billing through the end of the accounting period.

The Cooperative's monthly service fees derived from basic and local telephone service, as well as for cable and internet service, are billed in advance. Advance billings are recorded as a liability or reduction of receivables and subsequently transferred into income in the period earned. Usage sensitive revenues are billed in arrears.

Network Access Revenue

Network access revenue related to interlata and intralata toll service is received under a system of access charges. Access charges represent a methodology by which local telephone companies, including the Cooperative, charge the long distance carrier for access and interconnection to local facilities. The Cooperative has elected to file access tariffs through the Alaska Exchange Carriers Association (AECA) and the National Exchange Carriers Association (NECA) for these charges. These access tariffs are subject to approval by the RCA for intrastate charges and the FCC for interstate charges.

When network access service revenues have been received pursuant to the settlement and access agreements above, they are divided into traffic sensitive, non-traffic sensitive, and billing and collection portions. The revenues are then either placed into a common pooling arrangement with other exchange carriers for redistribution or kept by the Cooperative. The redistributions are made according to formulas established by the governing boards of the pools and are generally based upon expenses incurred and investment maintained.

The Cooperative participates in pooling arrangements with NECA and AECA.

Settlement, access, and pool distribution revenues are recorded when the amounts become determinable. Related expenses are recorded when incurred. Subsequent true-ups and retroactive adjustments, which are generally allowed for a period of 24 months (NECA pool only) after the close of the related calendar year, are recorded in the year in which such adjustments become determinable, based upon studies by outside consultants.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.**Notes to Financial Statements**Years Ended December 31, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies, continuedNetwork Access Revenue, continued

In addition to recoveries from the NECA and AECA pools, the Cooperative also receives revenues from the Universal Service High Cost Loop Fund administered by the Universal Service Administrative Company (USAC). The amount of support received from USAC is based on the number of customers served and the cost of providing service in that area being in excess of the national average cost per loop, as determined by the FCC, and are included in network access revenues in the accompanying financial statements.

In 2012, the Cooperative received \$[REDACTED] in interstate access revenues administered through the NECA pool (\$[REDACTED] in 2011). Revenues received from USAC were \$[REDACTED] in 2012 and \$[REDACTED] in 2011.

National Broadband Plan and FCC Order

In 2010 the FCC issued the National Broadband Plan which outlined a long-term plan to increase broadband penetrations and services throughout the United States of America. The plan further outlined a proposed long-term phase-out of access charges (referred to as Intercarrier Compensation) and moved to support mechanisms based on broadband services rather than the current Universal Service High Cost Loop Fund administered by USAC.

In response to the plan, the FCC on October 27, 2011, approved Report and Order 11-161 (the Order), that begins the process of reforming the universal service and intercarrier compensation (ICC) systems and adopts support for broadband-capable networks as an express universal service principle. The Order further creates the Connect America Fund which will ultimately replace all existing high-cost support mechanisms as well as help facilitate ICC reforms. The Order, among other things, caps the federal universal service fund at current levels and reforms the current system by putting various limits on capital and operating spending, requiring minimum levels for local rates and capping the per-line support amount at \$250 per month. At December 31, 2012, the Cooperative meets minimum local rate benchmarks and is not subject to the \$250 per line support cap.

The Order also reforms the ICC system by adopting a plan to transition from access charges to a bill and keep framework. The transition period for rate-of-return carriers, such as the Cooperative, is 9 years. Recovery will be calculated initially based on the fiscal year 2011 interstate switched access revenue requirement and will decline annually by 5% during the transition period beginning July 1, 2012.

The Order includes the adoption of a monthly Access Recovery Charge as a transitional recovery mechanism to mitigate the impact of reduced intercarrier revenues. The Order was effective December 29, 2011, and implementation began on July 1, 2012.

As of the implementation date, July 1, 2012, the Cooperative is subject to the 5% annual decline in the interstate switched access revenue requirement during the 9 year transition period. For the period ended December 31, 2012, the impact to the Cooperative has not been significant.

The overall reform process will take place in phases and will take several years to implement. Furthermore, the Order includes a Further Notice of Proposed Rulemaking and seeks comments on various items and the ultimate outcome of these proceedings and their impact is uncertain at this time.

Excise Tax Refunds

Refunds of Federal communication excise taxes resulting from the Cooperative's status as a tax exempt cooperative are recorded as a direct increase to members' patronage capital accounts.

Patronage Capital

Patronage capital consists of undistributed net margins allocated to individual members and accumulated since inception, less distributions to members. Under the bylaws of the Cooperative, the distribution of such patronage capital to members of the Cooperative is at the discretion of the Board of Directors, and may be restricted under covenants of RUS mortgage notes.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies, continued

Other Equities

Other equities consist of unclaimed distributions of patronage capital credits to members transferred to the Cooperative under the laws of the State of Alaska.

Income Taxes

The Cooperative has been granted an exemption from Federal income taxes under Section 501(c)(12) of the Internal Revenue Code, except for "unrelated" business income. However, in any year for which greater than 15% of gross revenue is derived from nonmember services, the Cooperative becomes a taxable cooperative. The Cooperative was exempt from income taxes in 2012 and 2011. The Cooperative is also exempt from state income taxes as a gross revenue tax on cooperatives overrides the filing of state income tax.

In years when the Cooperative is taxable, federal income taxes payable by taxable cooperatives are computed differently from taxes payable by other corporations, primarily because cooperatives are allowed to deduct margins allocated to patrons within 8½ months after the end of each taxable year.

The Cooperative follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Cooperative recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There were no amounts accrued in the financial statements related to uncertain tax positions in 2012 or 2011. The Cooperative files income tax returns in the United States, state and local jurisdictions. With few exceptions, the Cooperative is no longer subject to U.S. Federal, state or local tax examination by tax authorities for years before 2009.

Subsequent Events

The Cooperative has evaluated subsequent events through April 4, 2013, the date on which the financial statements were available to be issued.

Note 2 - Investments in Associated Organizations

Investments in associated organizations consisted of the following at December 31:

	2012	2011
<i>Electric Division</i>		
National Rural Utilities Cooperative		
Finance Corporation (NRUCFC):		
Capital term certificates	\$ [REDACTED]	[REDACTED]
Patronage capital credits	[REDACTED]	[REDACTED]
Membership	[REDACTED]	[REDACTED]
Alaska Rural Electric Cooperative Association (ARECA)		
Insurance Exchange, assigned equity	[REDACTED]	[REDACTED]
Nushagak Telephone Cooperative, Inc. patronage capital credits	[REDACTED]	[REDACTED]
Total Electric Division	[REDACTED]	[REDACTED]
<i>Telephone Division</i>		
Alaska Rural Electric Cooperative Association (ARECA)		
Insurance Exchange, assigned equity	[REDACTED]	[REDACTED]
Rural Telephone Finance Cooperative, patronage capital credits	[REDACTED]	[REDACTED]
CoBank, patronage capital credits	[REDACTED]	[REDACTED]
Nushagak Electric Cooperative, Inc. patronage capital credits	[REDACTED]	[REDACTED]
Total Telephone Division	[REDACTED]	[REDACTED]
Total Investments in Associated Organizations	\$ [REDACTED]	[REDACTED]

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

Note 3 - Property, Plant and Equipment

Listed below are the major classes of property, plant, and equipment in service at December 31, including related composite depreciation rates:

	Depreciation Percentage	2012	2011
Electric Division			
Land and improvements	-	\$ [REDACTED]	[REDACTED]
Production plant	3.0 to 7.0%	[REDACTED]	[REDACTED]
Distribution plant	2.3 to 4.0%	[REDACTED]	[REDACTED]
General plant	4.0 to 20.0%	[REDACTED]	[REDACTED]
Telephone Division			
Land and improvements	-	[REDACTED]	[REDACTED]
General plant and support	1.3 to 13.5%	[REDACTED]	[REDACTED]
Central office	6.0 to 12.6%	[REDACTED]	[REDACTED]
Cable and wire facilities	3.9 to 20.0%	[REDACTED]	[REDACTED]
Cable Division			
Land and improvements	-	[REDACTED]	[REDACTED]
Building and equipment	4.0 to 20.0%	[REDACTED]	[REDACTED]
Head end equipment	20.0%	[REDACTED]	[REDACTED]
Premise equipment	14.3%	[REDACTED]	[REDACTED]
Internet equipment	12.5 to 13.0%	[REDACTED]	[REDACTED]
Distribution facilities	8.0%	[REDACTED]	[REDACTED]
Total Property, Plant and Equipment in Service		\$ [REDACTED]	[REDACTED]

In 2009, the Cooperative was awarded a \$ [REDACTED] grant from the Alaska Energy Authority (AEA), a public corporation of the State of Alaska, under the Renewable Energy Fund. The grant funds are to be used for feasibility studies, permitting, and engineering costs related to a potential hydropower project. During the year ended December 31, 2012, the Cooperative expended \$ [REDACTED] in grant funds (\$ [REDACTED] in 2011) bringing cumulative expenditures of grant funding to \$ [REDACTED]. Reimbursements received for expenditures of state grant funds during the year ended December 31, 2012 were \$ [REDACTED] (\$ [REDACTED] in 2011) bringing the total reimbursements for the grant to \$1,141,070. Grant expenditures related to the year ended December 31, 2012, and requested subsequent to year end were \$ [REDACTED] (\$ [REDACTED] at December 31, 2011).

In 2010, the Cooperative was awarded a \$ [REDACTED] grant from the AEA under the Denali Commission. The grant funds are to be used for environmental and feasibility studies, permitting, and conceptual engineering related to a potential wind generation project. Unreimbursed project costs totaled \$ [REDACTED] as of December 31, 2012 (\$ [REDACTED] as of December 31, 2011). The Cooperative has not received any reimbursements as of December 31, 2012.

In 2012, the Cooperative was awarded a \$ [REDACTED] grant from the Alaska Department of Commerce, Community, and Economic Development, Division of Community and Regional Affairs. The grant funds are to be used for the purchase and construction of an 850,000 gallon fuel tank within the Cooperative's existing fuel tank farm. As of December 31, 2012, the Cooperative has expended \$ [REDACTED], and received no reimbursements of these costs.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

Note 4 - Deferred Charges

Deferred charges, net of accumulated amortization, relate to the electric division and consist of the following at December 31:

	2012	2011
Deferred Charges		
Overhaul unit no. 12	\$ [REDACTED]	\$ [REDACTED]
Overhaul unit no. 13	[REDACTED]	[REDACTED]
Overhaul unit no. 14	[REDACTED]	[REDACTED]
Overhaul unit no. 15	[REDACTED]	-
Air quality permits program	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]
Total Deferred Charges	\$ [REDACTED]	[REDACTED]

Included in deferred charges are costs associated with the air quality permits program, major overhauls, studies, and inspections. Such costs are originally deferred and subsequently capitalized to resultant construction or amortized over five years if construction does not materialize.

Note 5 - Patronage Capital

Patronage capital consisted of the following at December 31:

	2012			
	Electric Division	Telephone Division	Cable Division	Totals
Beginning balance	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Patronage capital retired	[REDACTED]	[REDACTED]	-	[REDACTED]
Excise tax refund	-	[REDACTED]	-	[REDACTED]
Assignable net margin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Patronage Capital	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

	2011			
	Electric Division	Telephone Division	Cable Division	Totals
Beginning balance	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Patronage capital retired	[REDACTED]	[REDACTED]	-	[REDACTED]
Excise tax refund	-	[REDACTED]	1	[REDACTED]
Assignable net margin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Patronage Capital	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

Note 7 - Long-Term Debt

Long-term debt consisted of the following at December 31:

	2012	2011
<i>Electric Division</i>		
2% mortgage notes payable to the Rural Utilities Service (RUS) payable in quarterly installments of approximately \$20,154, including interest, due in various years through 2016	\$ [REDACTED]	[REDACTED]
5% mortgage notes payable to RUS, payable in monthly installments of \$19,572, including interest, due in various years through 2027	[REDACTED]	[REDACTED]
Total Electric Division	[REDACTED]	[REDACTED]
Less Current Portion	[REDACTED]	[REDACTED]
Long-Term Debt, net of current maturities	[REDACTED]	[REDACTED]
<i>Telephone Division</i>		
7.50% note payable to NRUCFC, payable in quarterly installments of \$16,487, including interest, due in 2019	[REDACTED]	[REDACTED]
5.15% note payable to CoBank, payable in approximate monthly installments of \$15,850, including interest, due in 2013	[REDACTED]	[REDACTED]
3.64% variable interest rate (3.37% in 2011) note payable to CoBank, payable in approximate monthly installments of \$5,000, including interest, due in 2019	[REDACTED]	[REDACTED]
Total Telephone Division	[REDACTED]	[REDACTED]
Less Current Portion	[REDACTED]	[REDACTED]
Long-Term Debt, net of current maturities	[REDACTED]	[REDACTED]
Total Long-Term Debt	[REDACTED]	[REDACTED]
Less Current Portion	[REDACTED]	[REDACTED]
Total Long-Term Debt, net of current maturities	\$ [REDACTED]	[REDACTED]

Substantially all of the Cooperative's real and personal property is pledged as collateral for the above notes.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

Note 7 - Long-Term Debt, continued

Future maturities of long-term debt are as follows:

	Electric Division	Telephone Division	Totals
2013	\$ [REDACTED]	[REDACTED]	[REDACTED]
2014	[REDACTED]	[REDACTED]	[REDACTED]
2015	[REDACTED]	[REDACTED]	[REDACTED]
2016	[REDACTED]	[REDACTED]	[REDACTED]
2017	[REDACTED]	[REDACTED]	[REDACTED]
Thereafter	[REDACTED]	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]	[REDACTED]

At December 31, 2012 the Cooperative had two perpetual lines of credit of \$[REDACTED] million and \$[REDACTED], respectively, through National Rural Utilities Cooperative Finance Corporation (NRUCFC) with interest payable at the bank's prime interest rate plus 1% per annum (2.90% at December 31, 2012 and 3.20% at December 31, 2011). At December 31, 2012 and 2011, there were no outstanding balances on either line of credit.

At December 31, 2011, the Cooperative had a 3.78% variable rate, \$[REDACTED] million line of credit through Wells Fargo, with an outstanding balance of \$[REDACTED]. This line of credit expired August 15, 2012 and was not renewed.

At December 31, 2012 and 2011, the Cooperative also had a perpetual line of credit of \$6 million. This had a variable interest rate of 3.39-3.64% in 2012 (3.39% at December 31, 2011) through CoBank. At December 31, 2012, the outstanding balance on this line of credit was \$[REDACTED] (\$0 at December 31, 2011).

As a part of the Cooperative's licensing for fuel storage, the Cooperative is required by the State of Alaska to maintain a letter of credit to cover any costs for cleanup of a potential fuel spill. At December 31, 2012 and 2011, the letter of credit was provided by the NRUCFC for \$[REDACTED] and had no outstanding balances.

The terms of the mortgage agreements contain restrictions requiring the maintenance of defined amounts of patronage capital, limitations on additional debt, annual cash flow, and working capital after payment of capital credits. The Cooperative was in compliance with these covenants as of December 31, 2012 and 2011.

Note 8 - Pension and Health and Welfare Plans

The National Rural Electric Cooperative Association Retirement & Security Program (the NRECA RSP) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's employer identification number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Cooperative is a participant in the above described plan. The Cooperative's contributions to NRECA RSP in 2012 and 2011 represented less than 5 percent of the total contributions made to the NRECA RSP by all participating employers. The Cooperative made contributions to the plan of \$[REDACTED] in 2012 and \$[REDACTED] in 2011. There have been no significant changes that affect the comparability of 2012 and 2011 contributions.

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

Note 8 - Pension and Health and Welfare Plans, continued

In the Plan, a "zone status" determination is not required and therefore, not determined under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations of plan assets are not determined or allocated separately by individual employer. In total, the NRECA RSP was between 65 and 80 percent funded at January 1, 2012 and January 1, 2011 based on the PPA funding target and PPA actuarial value of assets on that date.

Because the provisions of PPA do not apply to the NRECA RSP, funding improvement plans and surcharges are not applicable and have not been applied. Future contribution requirements are determined each year as part of the actuarial valuation of the NRECA RSP and may change as a result of NRECA RSP experience. There is no collective bargaining agreement that affects future contribution requirements.

The Cooperative participates in multi-employer plans through NRECA that provide all employees with health care and other welfare benefits during the employees' working lives. Amounts charged to benefit cost and contributed to the health and welfare plan for those benefits totaled \$ [REDACTED] and \$ [REDACTED], respectively, for the years ended December 31, 2012 and 2011.

In addition, the Cooperative also participates in a contributory, multi-employer, defined contribution savings (401k) plan (the Savings Plan) sponsored by NRECA. This program provides a tax deferral of current employee earnings to a future period. All employees meeting the Savings Plan's eligibility requirements are eligible to participate if they have completed one month of service, and may contribute up to 25% of their salary. The employer does not contribute to this plan. All participants are immediately vested in their contributions.

Note 9 - Reclassification

Certain amounts in the 2011 consolidated financial statements have been reclassified to conform to the presentation in the 2012 financial statements. Such reclassifications have no effect on net income or total members' equity.

SUPPLEMENTAL INFORMATION

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Combining Divisional Balance Sheets - 2012

December 31, 2012

	Electric	Telephone	Cable		
ASSETS					
Current Assets:					
Cash and cash equivalents					
General	\$			-	
Construction			-	-	
Accounts receivable, net of allowance for doubtful accounts of \$61,837				-	
Materials and supplies inventory				-	
Fuel inventory			-	-	
Prepaid expenses				-	
Interdivision note receivable			-		-
Total Current Assets					
Other Assets:					
Investments in associated organizations			-	-	
Deferred charges			-	-	
Total Other Assets			-	-	
Property, Plant and Equipment					
In service				-	
Under construction				-	
Total Property, Plant and Equipment				-	
Less accumulated depreciation				-	
Property, Plant and Equipment, net				-	
Total Assets	\$			\$	

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.**Combining Divisional Balance Sheets - 2012**

December 31, 2012

	Electric	Telephone	Cable		
LIABILITIES AND EQUITIES					
Current Liabilities:					
Current maturities of long-term debt	\$	\$	-	-	
Line of credit		-	-	-	
Accounts payable				-	
Consumer deposits			-	-	
Other accrued liabilities			-	-	
Interdivision note payable		-	-		-
Total Current Liabilities					
Long-Term Debt, net of current maturities			-	-	
Total Liabilities					
Equities:					
Patronage capital				-	
Other equities			-	-	
Total Equities				-	
Total Liabilities and Equities	\$	\$	\$		

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Combining Divisional Statements of Operations and Patronage Capital - 2012

Year Ended December 31, 2012

Operating Revenues:	Electric	Telephone	Cable	Eliminations	Total
Electric	\$ [REDACTED]	\$ -	\$ -	\$ -	\$ [REDACTED]
Local network service	-	[REDACTED]	-	-	[REDACTED]
Network access services	-	[REDACTED]	-	-	[REDACTED]
Cable (net of retransmission fees)	-	-	[REDACTED]	-	[REDACTED]
Internet	-	-	[REDACTED]	-	[REDACTED]
Miscellaneous	-	[REDACTED]	[REDACTED]	-	[REDACTED]
Total Operating Revenues	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Operating Expenses:					
Power production	[REDACTED]	-	-	-	[REDACTED]
Distribution	[REDACTED]	-	-	-	[REDACTED]
Plant specific	-	[REDACTED]	-	-	[REDACTED]
Plant non-specific	-	[REDACTED]	-	-	[REDACTED]
Depreciation	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Customer	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Administrative and general	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Cable and internet	-	-	[REDACTED]	-	[REDACTED]
Operating taxes	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Total Operating Expenses	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Operating Margin	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Other Income (Expense):					
Patronage allocations	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Interest and dividend income	[REDACTED]	[REDACTED]	-	[REDACTED]	[REDACTED]
Interest expense	[REDACTED]	[REDACTED]	-	[REDACTED]	[REDACTED]
Non-regulated net income	-	[REDACTED]	-	-	[REDACTED]
Net Other Income (Expense)	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Net Margin	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Beginning Patronage Capital	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Patronage Capital Retired	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Excise Tax Refund	-	[REDACTED]	-	-	[REDACTED]
Ending Patronage Capital	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ -	[REDACTED]

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Combining Divisional Statements of Cash Flows - 2012

Year Ended December 31, 2012

	Electric	Telephone	Cable	Eliminations	Total
Cash Flows from Operating Activities:					
Net margin	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	\$ -	\$ [REDACTED]
Adjustments to reconcile net margin to net cash provided by operating activities:					
Depreciation	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Noncash patronage allocations	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Changes in assets and liabilities:					
Accounts receivable	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Materials and supplies inventory	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Fuel inventory	[REDACTED]	-	-	-	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Deferred charges	[REDACTED]	-	-	-	[REDACTED]
Accounts payable	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Consumer deposits	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Other accrued liabilities	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Net Cash Provided by Operating Activities	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Cash Flows from Investing Activities:					
Purchases of plant	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Proceeds from grant reimbursements	[REDACTED]	-	-	-	[REDACTED]
Proceeds from sale of assets	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Patronage dividends received	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Net Cash Used by Investing Activities	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Cash Flows from Financing Activities:					
Net borrowings on lines of credit	[REDACTED]	-	-	-	[REDACTED]
Payments on long-term debt	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Interdivision note receivable	-	[REDACTED]	-	[REDACTED]	-
Interdivision note payable	[REDACTED]	-	-	[REDACTED]	-
Capital credit payments, net	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Refunds of federal communications excise taxes	-	[REDACTED]	-	-	[REDACTED]
Net Cash Provided (Used) by Financing Activities	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Net Increase in Cash and Cash Equivalents	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Cash and Cash Equivalents, beginning	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Cash and Cash Equivalents, ending	\$ [REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Cash Paid During the Year for Interest, net of amounts capitalized	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**REPORTS AND SCHEDULES REQUIRED BY STATE OF ALASKA
AUDIT GUIDE AND COMPLIANCE SUPPLEMENT FOR
STATE SINGLE AUDITS, AND OTHER REQUIRED REPORTS**

NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, INC.

Schedule of State Financial Assistance

Year Ended December 31, 2012

	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>State Share of Expenditures</u>	<u>Expenditures to Date</u>
<u>Alaska Energy Authority</u>				
* Lake Elva Hydropower Feasibility, Permitting & Final Design	2195419	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
<u>Department of Commerce, Community, and Economic Development</u>				
* Bulk Fuel Tank for Power Generation	13-DC-455	[REDACTED]	[REDACTED]	[REDACTED]
Total State Financial Assistance			\$ [REDACTED]	\$ [REDACTED]

* Denotes major program

Basis of Presentation

The accompanying Schedule of State Financial Assistance includes the grant activity of Nushagak Electric & Telephone Cooperative, Inc. and is presented on the accrual basis of accounting. The information is presented in accordance with the requirements of the *State of Alaska Audit guide and Compliance Supplement for State Single Audits*.



CPAS AND BUSINESS CONSULTANTS

REDACTED FOR PUBLIC INSPEC

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nushagak Electric and Telephone Cooperative, Inc.
Dillingham, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Nushagak Electric & Telephone Cooperative, Inc. (the Cooperative), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations and patronage capital and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 4, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Cooperative's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we identified certain matters involving internal control over financial reporting, as described below, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

ACCOUNTING AND FINANCIAL REPORTING

During the course of the audit, we assisted the Cooperative's staff with reconciling certain activities and proposing adjustments to the general ledger. Our assistance with the reconciliations and adjustments was expected by management and the accounting staff and all of the proposed adjustments were accepted by management and posted to the general ledger. In some cases the adjustments are identified by your staff while other adjustments would only be identified through our audit procedures. In addition, our expertise was required to draft the financial statements and supporting notes in accordance with generally accepted accounting principles.

Management is responsible for the controls over the selection and application of accounting principles in conformity with generally accepted accounting principles, and is also responsible for the controls over the period-end financial reporting process. The period-end financial reporting process includes the controls over procedures used to initiate, authorize, record, and process transactions and journal entries into the general ledger; record recurring and nonrecurring adjustments to the financial statements; and prepare the financial statements and related notes. Having sufficient expertise in selecting and applying accounting principles is an aspect of such controls.

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